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Britain's Crisis Tests U. S. Economic Policy

Once again Great Britain, in the midst of financial difficulties, has re-embraced austerity and slashed its schedule of imports from North America in an effort to stem the outflow of its gold and dollar reserves. And once again the question is raised as to the means by which British national solvency can be restored—a question that was asked in 1945 when an American credit of \$4 billion was negotiated and repeated in 1947 when the loan ran out and the Economic Co-operation Administration was created to replace it.

Future of World Trade

Although the privations of the British people are important in themselves, London's present economic plight is perhaps more significant as a test of the Marshall plan and the future pattern of world trade which the ECA is attempting to usher in. Chancellor of the Exchequer Sir Stafford Cripps announced on July 14 that Britain would reduce its spending in the United States by \$400 million in the current fiscal year, a cut of 25 per cent. Because Britain serves as banker for the sterling area, Commonwealth finance ministers (with the exception of Canada) have been asked to make similar reductions in their dollar imports. In addition Britain has signed bilateral trade agreements with Russia and Argentina and has successfully fought to limit the possibility of a dollar drain under the intra-European payments agreement negotiated at the end of June with other Marshall plan countries.

All these measures are contrary to the principles of freer, multilateral trade which the ECA hopes to make possible by 1952.

Cripps contends that these are temporary policies, unavoidable because the sterling area's reserves have fallen below the \$2 billion "danger point" due to slackened demand for British exports in the Western hemisphere. Britain, as a major trading nation, he adds, hopes to see a return to multilateralism in the long run.

The difficulty both for British and United States economic policy is that of preventing the "temporary" from becoming permanent. If Britain's present troubles are the result of a "perfectly normal readjustment" arising from a world shift to a buyer's market—as ECA Administrator Paul G. Hoffman indicated June 28—the current "crisis" may be exaggerated. But most observers have come to believe that Marshall aid is insufficient in itself to meet all the adjustments which Western Europe must make before the end of 1952.

Britain's transition problems have been aggravated by a number of interrelated factors which seem to have caused sterling area exports to dollar markets to fall more than was expected. First, a crisis of confidence in the British position has created rumors of approaching sterling devaluation. This has encouraged buyers to postpone their purchases, accentuating the slump in sterling area exports. Second, the highly technical questions involved in negotiating the intra-European payments agreement contributed to this crisis in confidence. The dispute between Britain on the one hand and Belgium and the United States on the other tended to be reported in terms of national and ideological differ-

ences, although the pertinent difficulties arose because of the debtor position of Britain and the creditor position of the other two.

Third and similarly, the Anglo-Argentine trade agreement was interpreted as a major breach of good faith with the United States, although the point of difference between Washington and London was the fairly narrow one centering on the fact that the treaty is to run for five years, extending beyond the end of the Marshall period. Fourth, the sterling area's earnings from rubber, cocoa and tin have been hit by a fall in commodity prices while the cost of the commodities Britain imports have not fallen proportionately. Wheat and cotton prices, for instance, are maintained by United States support programs, and Canadian wheat prices remain steady because of long-term contracts Britain itself negotiated.

Proposals for Washington

All these factors tend to obscure the achievements of British recovery efforts and the extent of Marshall aid success, strengthening the hand of critics of President Truman's economic policy. However, when British officials come to Washington in September to continue their talks with Secretary of Treasury John Snyder, they will undoubtedly lay their problems in American laps, arguing that the United States will be unable to continue its present rate of exports without making dollars available to the world. Realizing the temper of Congress and the taxpayer, the British are likely to set forth suggestions which do not involve a substantial

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outlay of public funds—although they would undoubtedly welcome a “little ECA” after 1952 as has been advocated by some American economists. They may ask for a liberalization of the lending policies of the International Bank and the International Monetary Fund. They have already suggested an international commodity support program at the tariff conference at Annecy, France.

And they will probably seek a further

reduction of American tariffs—which still range from duties of 10 per cent on automobiles to 25 per cent on woollens and worsteds and 35 per cent on chinaware. In reply to repeated criticism that British prices are too high, they will point out that in just those cases where their prices are competitive American tariffs and subsidies protect domestic producers and militate against imports from Britain and the rest of the sterling area. The dollar market for

British woolen goods, for Malayan rubber and tin, for Australian raw wool and for British shipping services are all limited by American protective measures. And if the dollar shortage is to be ended to make way for freer trade, the United States must increase its imports and sponsor a long-term lending program with either private, national or international funds.

WILLIAM W. WADE

Clash with Vatican Sharpened in Eastern Europe

WASHINGTON—Insofar as it might encourage popular defiance of the Communist-controlled governments of the Eastern European countries friendly to the Soviet Union, the decree of excommunication for Communists and their supporters which the Sacred Congregation of the Holy Office in the Vatican published on July 13 served to bolster the foreign policy of the Truman Administration.

Perhaps the decree was written primarily with Italy in mind, as an effort by the Vatican to save for catholicism a country which is not communistic but where the Communist party is strong and its supporters are numerous. However, the decree interested Washington for its possible effect on Czechoslovakia, where the government has intimated that Czech Catholic priests and bishops should pledge their allegiance wholly to Prague to the exclusion of Rome. Thus the government on June 15 required Archbishop Josef Beran of Prague to surrender the keys of his consistory to government agents, who have kept him under guard ever since. But the usefulness of the excommunication decree to the State Department cannot become apparent for some time. The power of the present Czech government and the historic nationalistic religious tendencies of the Czech people do not promise an early weakening of Communist influence in that country as a result of Vatican action. Yet the Vatican has lost its influence in Czechoslovakia in previous eras, only to regain it later.

Catholicism in Czechoslovakia

“We must decide our affairs for ourselves and nobody else in the world can be allowed to have any say in the matter,” Josef Plojhar, Czech Minister of Health, once a priest, said on July 5 in commenting on the religious controversy. This ultramontane spirit, the antipathy for ecclesiastical influence emanating from abroad, has characterized Czech affairs

since Jan Hus rebelled against the leadership of Rome in the fourteenth century. Ninety per cent of Czechs embraced Protestant religions after the Reformation, and the Thirty Years War began as a quarrel between Protestant Czechs and Catholic Hapsburgs. The defeat of the Protestants at the Battle of White Mountain in 1620 restored Catholic dominance. A long controversy between Czechoslovakia and Rome followed the establishment of the Czech Republic in 1919. The government in Prague in 1926 requested the Vatican to recall its nuncio, who had protested the republic's observance of Hus's birthday as a national holiday. Nevertheless, the Catholic Party, led by a priest, Msgr. Jan Sramek, gained the balance of power under the republic. It encouraged social reform. Dissident Catholics numbering 850,000 set up the nationalistic Czechoslovak Church, disavowing allegiance to Rome, in the period of the republic. However, 9 million of the 12.5 million Czechs are Catholics today.

In keeping with the Husite tradition, the current attack by the Czech government on Roman Catholicism stresses opposition to the institution that has its headquarters abroad, not to religion as such. Although Article III of the constitution of the postwar Peoples' Republic guarantees religious freedom, in February 1948 the government began to limit the publication of Catholic periodicals. Since April 1949 they have appeared only under government direction. Differences between the hierarchy and government grew intense after June 10, when the government set up a Catholic Action society, ostensibly to encourage manifestations of the Catholic spirit under official auspices. Archbishop Beran on June 19 said in a pastoral letter that the Catholic Action had “been formed against the bishops to cause confusion among the faithful and make it impossible for the bishops to defend the freedom and rights of the Church.” The

Sacred Congregation of the Holy Office on June 20 declared that voluntary members, and “especially the authors and promoters” of the Czech Catholic Action “will incur excommunication.” The “authors and promoters” presumably included the three Catholic members of the government—Justice Minister Alexei Cepicka, Defense Minister Ludvik Svoboda, and Trade Minister Antonin Gregor—but the government's Catholic Clergy Gazette on June 25 declared the excommunication invalid and forbade priests and bishops to publish material or hold conferences without government approval.

Power of Excommunication

Since the Communist party in Czechoslovakia has limited membership, the excommunication ban of July 13—which decreed it unlawful to “enlist in or show favor to the Communist party” or to profess, defend and spread the “materialistic and anti-Christian doctrine” of communism—actually may not seriously weaken the Prague regime in the present stage of the controversy. Czech security police on July 14 arrested the Rev. Alois Zmerzlik, a Czech citizen, secretary to the Vatican nunciature in Prague. Fifteen thousand Czechs took part in the Catholic Action pilgrimage to St. Prokop's Monastery on July 4, although 20,000 had attended under hierarchical auspices in 1948.

The regime expects parliament to pass laws this autumn that will subject the church to national control. The origin of the difference between the modern Czech government and Rome seems more complex than the origins of the historic differences. Nationalism remains a strong factor. Hus has new “significance for us now because the struggle between the state and Rome has flared up again,” Deputy Prime Minister Zdenek Fierlinger said on July 4. But one difference from past church-state controversies results from the conflict between Czechs and Slovaks. The Slovaks,

the peasants of Czechoslovakia, strongly Catholic, oppose the Prague political policies more vigorously than any other inhabitants of the nation. "The Church is our greatest enemy. This enemy is centered in the peasantry," according to a recent manifesto of the Czech Communist party. Catholics see ideological grounds for the

controversy, on the assumption that communism promotes atheism, although the Czech government has not advocated godlessness. A form of government is also at issue. The Prague Ministry of Education on June 27 said that church authorities had threatened priests who "showed a positive attitude toward the People's De-

mocracy." Similar struggles of greater and lesser intensity are taking place in Hungary, Poland and Rumania and, with respect to Protestant clergymen, in Bulgaria, and the controversy may well continue indecisively for years.

BLAIR BOLLES

Chinese War Forces Decisions on Southeast Asia

The spectacular successes achieved by the Chinese Communists in their southward drive—with the key rail city of Changsha the latest object of their attack—bring ever closer the critical problems which will have to be faced when they reach the borders of Southeast Asia. A suggested union of Pacific countries against communism, proposed by Generalissimo Chiang Kai-shek of China and President Elpidio Quirino of the Philippines on July 11, raises the question as to what policy should be followed in this area to meet the impending threat.

So far the United States has remained aloof. Michael J. McDermott, press officer of the State Department, said on July 11 that the time was still premature for a Pacific pact, thus reaffirming a stand taken by Secretary of State Dean Acheson on May 18 following Australian proposals for such a treaty. The State Department may set forth a more positive policy in the "white book" on China, expected to be published soon.

Danger in Indo-China

Whether a pact can be effective in Southeast Asia depends upon the specific types of problem which are likely to arise as the Chinese Communists advance. The major exposed position is doubtless Indo-China where the insurgent Republic of Viet Nam, already in control of most of the coastal provinces of Tonking and Annam as well as much of the hinterland of Cochin-China, is under the guidance of President Ho Chi Minh, and Commander-in-Chief Vo Nguyen Gap, both Communists. The French have attempted to counter this movement by setting up a rival Viet Nam regime under the leadership of ex-emperor Bao Dai who became Chief of State and Prime Minister on July 1. A similar pattern for the non-Annamese kingdom of Laos was established when a treaty with King Sisavang Vong establishing this Indo-Chinese state as an independent nation within the French Union was signed on July 19. So far, however, there have been no signs

of a rush of nationalists to leave Ho Chi Minh and unite under the banner of Bao Dai.

The approach of the Chinese Communists is likely to encourage rather than discourage the Viet Nam Republic's supporters, even though the Annamese, for centuries past subjected to Chinese imperial control and exploitation, have no love to lose for their numerous northern neighbors. Should Ho Chi Minh still be fighting the French when the Chinese Communists reach the border, it would be difficult to resist the temptation to accept aid from the north. The French position would be rendered even more precarious by this development because much of the population of Saigon, the chief bastion of French power in Viet Nam, consists of Chinese. This urban minority would be particularly susceptible to infiltration and conversion by the Chinese Communists—partly out of sympathy for developments in the home country, partly out of the need for China's diplomatic support, and partly in order to ingratiate themselves with the dominant Annamese majority.

Three alternative policies may be followed by the United States in dealing with this situation. The first would be to continue present mild support for the French-sponsored Bao Dai regime. If this regime fails, however, Viet Nam will almost certainly come under strong Chinese Communist influence. A second policy would be vigorous military aid in an attempt to suppress Ho's government. This necessarily costly and unpopular course would, even if locally successful, tend to alienate large sections of the population throughout all of Southeast Asia. A third policy, now advocated by some groups within France's governing coalition, especially the Socialists, would be to seek a compromise with Ho Chi Minh under UN auspices. While French influence would thereby necessarily be largely reduced, the ensuing independent regime would have no reason to seek Chinese aid and might therefore resist external inter-

vention from the north. At best this might produce a relatively independent buffer state; at worst a further extension of Chinese Communist influence. At least it would not antagonize the rest of Southeast Asia.

The approach of the Chinese Communists to the Burmese frontier raises scarcely less thorny problems. If they could utilize the Burma Road or otherwise cross the formidable natural barriers, they might conceivably bring reinforcements to the Burmese Communists who are now in open revolt. It would be problematical, however, whether the Chinese could unite the various dissident elements now fighting the Rangoon regime, and it is at least possible that outside intervention would induce the rebelling anti-Communist Karens to make peace with the government.

The Burmese authorities desperately need and would welcome outside material and financial aid provided there were no strings attached. This condition is important, since the antipathy of the Burmese people for anything which smacks of imperial interference is so fanatical that no government could last which appeared to be lending itself to the designs of foreigners. Rangoon has recently made some important gains in putting down the various rebel groups, as General Bo Ne Win, Deputy Prime Minister, stated in New York on July 21. The difficulty will be to offer aid on terms acceptable at the same time to the Burmese and to those who will have to put up the resources.

Optimism in Indonesia

The Chinese Communist advance is likely to have relatively little impact upon the situation in Indonesia where the outlook for an amicable solution of the present controversy with the Netherlands has vastly improved within the last few weeks. The announcement on July 23 of an agreement between Indonesian Republican and Federalist leaders on some of the major questions concerning the projected federal government for the whole archi-

pelago may well pave the way for a final settlement to be reached in the forthcoming round table conference to be held at The Hague in August. This comes on the heels of the return of the Republican leaders to their capital in Jogjakarta as a sequel to the Roem-Van Royen agreement of May 7 concluded under UN auspices.

Numerous obstacles remain to be overcome and various inopportune developments may well delay and obstruct the course of the negotiations. However, it is expected that by the end of the year a new regime, both relatively stable and anti-Communist in outlook, will have been established for Indonesia. Although a substantial Chinese minority exists in the islands, it is not likely to turn to communism since it will stand to gain more through collaboration with the Indonesians who have offered citizenship status to minorities, than by turning to Communist China for support. The United States, accordingly, would probably do best by continuing to press for an amicable Dutch-Indonesian settlement under UN sponsorship, and by preparing to render the new regime real assistance in reconstructing and developing its war depressed economy.

Will A Pact Help?

In dealing with the various Southeast Asian situations, a Pacific pact would run the risk of being directed, in the name of anti-Communism, against every popular movement for nationalist or agrarian reform. This would tend to put the Soviet Union in the position of champion of the aspirations of the bulk of the peoples of Southeast Asia. It was for this reason that Premier Nehru of India declared on May 11 that a pact would be premature until Asia's internal conflicts were resolved, a view supported subsequently by Secretary Acheson. The fact that Generalissimo Chiang Kai-shek, whose government appears to have lost the support of most of the Chinese people, should take the initiative in the movement for a Pacific union lends force to the fears that the proposal might have effects opposite to those intended. President Quirino is inviting the various interested states to a conference in Baguio, P.I., in August to discuss the whole proposal. By that time it is to be hoped that the issues involved will have become further clarified. FRED W. RIGGS

News in the Making

The first major test of Allied-nurtured democracy in Germany will take place August 14 when citizens of the Western zones will elect members of the Bundestag, lower house of the federal parliament under the Bonn constitution. The two largest parties are the Social Democrats led by Kurt Schumacher and the Christian Democrats led by Konrad Adenauer, but election results will be watched most closely for signs of Communist and nationalist strength. . . . After the elections are held German leaders are expected to press for inclusion of the *Western sectors of Berlin* in the West German state with renewed vigor. . . . An Israeli-Syrian armistice agreement signed July 20—last of such truces among the participants of the Palestine conflict—ended the mediation phase of the peace settlement and turned attention back to Lausanne, Switzerland, where the UN Commission reconvened in hopes of breaking the deadlock over the Arab refugees. . . . Israel's northern neighbor, Lebanon, one of the smallest of the Arab states, announced on July 20 that it is introducing universal compulsory military service for the first time in its history. . . . Meanwhile, military and economic con-

versations have been taking place in Damascus between Syria and Turkey. These were seen as a move to help rehabilitate the Middle East as well as to strengthen the area against pressure from the Soviet Union to the north. . . . A ten-week session is forecast for the *UN General Assembly* which convenes at Flushing Meadow September 20. Some sixty items are on its agenda, including disposition of the former Italian colonies in Africa, the trials of religious leaders in Eastern Europe and other issues that have already been hotly debated at last spring's session. The Assembly may make a modest start on a program for the underdeveloped areas.

Around the World by Radio

Travel around the world with FPA President Brooks Emeny. Listen to his weekly series of radio forums—"Americans the World Over"—on the national Broadcasting Company network on Saturdays (12:15 EDST). Mr. Emeny, who is abroad with the Town Hall World Seminar, will broadcast from Vienna July 30, from Rome August 6, and from Ankara August 13. Consult your local radio guide for time and station in your area. Some listings may appear under the title "Public Affairs." And write to the FPA and tell us your reactions.

FPA Bookshelf

The World's Best Hope, by Francis Biddle. Chicago, University of Chicago Press, 1949. \$3.50

The former attorney general discusses the United States role of world leadership, making pertinent suggestions on the relationship between policies at home and abroad. One important theme he develops is that "we cannot any longer expect acceptance of a democratic faith by others if we ourselves do not practice it." Another is that the gap between the mixed economies of Socialist governments abroad and recent American economic developments is not as great as political labels make it appear.

New Compass of the World, a Symposium on Political Geography, edited by Hans W. Weigert, Vilhjalmur Stefansson, Richard Edes Harrison. New York, Macmillan, 1949. \$5.00

Readers of the *Compass of the World* will welcome this new volume which includes twenty-three essays by various authorities, including the editors, on recent world developments with particular emphasis upon geographic factors. Of particular interest are the sections on the Soviet Union and Asia. Among the contributors are Robert J. Kerner, Owen Lattimore, Robert Strausz-Hupé, Frank Lorimer, George B. Cressey, Warren S. Thompson, J. Russell Smith and Samuel Van Valkenburg.

Liberalism and the Challenge of Fascism: Social Forces in England and France (1815-1870), by J. Salwyn Schapiro. New York, McGraw-Hill, 1949. \$5.00

This book, one of the volumes in the McGraw-Hill series in history, provides an illuminating study of the development of liberal ideas in the two leading countries of Western Europe and of the effect these ideas have had on contemporary events in Britain and France. The author, professor emeritus of the City College of New York, has a gift for writing lucidly yet with sympathetic understanding of the human values involved in vast political movements.

The Second Session of the Permanent Migration Committee. Geneva, International Labour Office, 1948. \$1.00

The record of the committee's meeting in Geneva in the spring of 1948, with materials submitted to the committee by the ILO and the report of its findings. These cover proposals for revision of the Migration for Employment Convention, 1939, related recommendations, the Draft Model Migration Agreement, and discussions on the technical selection and training of migrants and the co-ordination of international responsibility in this field.

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